

SUMMARY OF PROPOSAL #24
for consideration by the
ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE

TOPIC: Sales Tax Exemption for Sales of Seed to be used in the Commercial Production of any Agricultural Product or Agricultural Seed

Summary of Proposal for Consideration

To repeal the sales tax exemption on the sale of seed to be used in the commercial production of any agricultural product or agricultural seed under Arkansas Code § 26-52-401(18)(A)(ii), effective for tax years beginning on or after January 1, 2019.

Fiscal Analysis

Repeal of the exemption may result in an estimated \$21,888,000 per year increase to General Revenue based upon FY17, as provided by the Department of Finance and Administration's "Sales and Use Tax Revenue Impact of Exemptions" presentation to the Arkansas Tax Reform and Relief Legislative Task Force on March 19, 2018.

Legal Analysis

Background

Arkansas currently has a sales tax exemption on the sale of seed to be used in the commercial production of any agricultural product or agricultural seed.

ACT 133 of 1965 created the sales tax exemption on the sale of seed to be used in the commercial production of any agricultural product or agricultural seed, and has not been amended since.

Potential Legal Issues

None.

Other States

- Iowa: Sales tax exemption on the sale of seeds for use in agricultural production. (IA St. § 423.3)
- Louisiana: Sales tax exemption on the sale of seeds for planting crops are exempt; sales of seed by farmers who produced the seeds in connection with their farming operations are exempt from sales tax; this exemption allows the tax-free sales of seeds to commercial farmers. (LA St. § 47:305)
- Mississippi: Sales tax exemption on sale of seeds for agricultural production. (MS St. § 27-65-103)
- Missouri: Sales tax exemption on the sale of seed, lime or fertilizer used in producing crops that will be sold at retail or will be fed to livestock or poultry to be sold ultimately in processed form at retail; seed, pesticides and fertilizers sold for nonagricultural use are subject to tax. (MO St. § 144.020)

- Oklahoma: Sales tax exemption on the sale of seeds, if used directly in agricultural production. (OK St. 68 § 1356)
- Tennessee: Sales tax exemption on sale of seeds, seedlings, plants, fertilizer, and pesticides used to produce food or fiber, including tobacco, for human or animal consumption. (TN St. § 67-6-207)
- Texas: Sales tax exemption on the sale of seeds and annual plants if used directly in agricultural production. (TX St. §151.16)